United States
Department of Agriculture

Foreign Agricultural Service

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Foreign Agriculture

Japan's Agricultural Market: A Rising Tide of Opportunity

Marketing News

Some Useful Publications On Japanese Hardwood Market

Two publications from the **Japan External Trade Organization (JETRO)** should give hardwood exporters useful information on the Japanese furniture market. "Access to Japan's Import Market" (JETRO publication No. 11) covers the furniture market in Japan. It includes manufacturing and working technology, product quality standards and control, furniture design and suggestions for exporters.

"Your Market in Japan" (JETRO publication No. 31) also outlines the Japanese furniture market and demands. It covers furniture production, distribution, trade and future prospects. In addition, it gives advice on approaches to the Japanese furniture market and describes the Japanese import system. Both publications can be ordered from the Japan External Trade Organization (JETRO), Japan Trade Center, 44th floor, McGraw-Hill Building, 1221 Avenue of the Americas, New York, NY 10020.

U.S. Exporters Should Consider All Segments of Asian Market

To compete in Far East markets outside of Japan, **U.S. Meat Export Federation (MEF)** Asian Director Phil Seng is encouraging U.S. meat exporters to consider the varying segments of these markets. Seng says the United States should continue selling choice and prime grade beef to the hotel and restaurant markets, but urges exporters to offer less than choice grade meat to consumer-oriented markets, particularly in Korea, Hong Kong and the ASEAN region.

"In all countries outside of Japan," said Seng, "the strong dollar has been the major impediment to trade. But if our industry can provide less expensive, but good quality meat, we can be competitive." Seng said MEF has identified Korea as a potential growth market and will be assisting the Koreans in developing a meat standards and grading system. He said the MEF also was giving attention to Hong Kong and Taiwan, promoting U.S meat products in hotels and restaurants, while developing advertising and marketing strategies for the consumer market.

Seng said in Malaysia, the hurdle of Halal slaughter had been cleared due to the success of a U.S. plant inspection tour co-sponsored for Malaysian officials by the MEF and the Foreign Agricultural Service last year.

Some problem markets in Asia, according to Seng, include: Thailand, where U.S. meat sales are relegated to major hotels and restaurants and where the import duty on meats is about 90 percent of the product value; Indonesia, where there is a ban on nonessential imports, including high-quality U.S. meats; and the Philippines, where serious economic problems hinder trade.

USW Is Boosting Noodle Consumption in Philippines

According to the regional vice president of **U.S. Wheat Associates (USW)** in Manila, consumption of noodles is expanding in the Philippines. "Although Filipinos generally prefer bread and cake-type wheat foods," says Ron Maas, "we have noted a small but significant upward shift in the consumption of Chinese-style noodles by Philippine consumers. We see this as an indication of additional demand for wheat."

A joint agreement between U.S. Wheat Associates and local noodle manufacturers will identify taste preferences and consumption patterns through a market research project. This project is intended to establish a base for future determinations related to noodle consumption. At the same time, it will point out specific approaches most likely to be effective in expanding noodle popularity in the Philippines.

Noodles traditionally have been produced in the Philippines with available standard flours that limit improvement in the quality of the noodle. Philippine consumers are also price conscious. USW's efforts will be directed toward assisting the noodle industry in producing a low-cost, high-quality noodle.

"The advancing popularity of oriental noodles is an indication of changing taste patterns that will likely continue for the foreseeable future," said Maas. "The immediate impact will be minimal, but longer term growth is likely to result in more white wheat imports."

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Japan's Agricultural Market: A Rising Tide of Opportunity

Embassy of Japan

By Suzanne Hale

Good potential exists for expanding high-value/value-added U.S. food and wood products through introducing new-to-market products, increasing the U.S. share of products already being imported and penetrating markets now dominated by Japanese food processors.

Gains in these three areas depend on U.S. marketers' commitment and their price and quality competitiveness, as well as market development funding and market access efforts.

Over the next several years, a 1- to 4-percent steady growth in demand should occur for most of the bulk commodities—such as feed grains, soybeans, logs and wheat—that make up 80 percent of U.S. farm and forest product exports to Japan.

Interest in U.S. hardwood products is high and softwood paneling sales could rise with lower tariffs and increased promotion. Lower retail prices for livestock products would stimulate larger increases in feed grain and soybean imports, but growth will be less spectacular than in the 1960s and 1970s. Even so, a 2-percent increase in bulk items adds $125 million yearly to the value of U.S. agricultural exports to Japan.

Japanese Consumers Are Looking for Variety

Japanese consumers are affluent, spend a high percentage of their income for food, and generally are willing to try new foods, from avocados to beef jerky. Consumers have broadened their diets to include more meats, imported fresh and dried fruit and a wide range of frozen, canned and other packaged convenience foods.

However, income growth is slowing, which suggests food consumption changes may also slow some in the 1980s. Countering this trend will require more effective marketing efforts and reduced food prices.

To help reduce Japanese food prices, the United States should continue to press for tariff reductions and the elimination of nontariff barriers. Cooperator programs to improve Japanese livestock production also continue to be important in reducing cost and increasing consumption and lowering trade barriers.

Demand for processed convenience food has grown for two decades, but most of this market has been supplied

by domestic food processors using both domestic and imported foodstuffs.

Food processors require large food ingredient imports, including high-value items such as fruits and meats. U.S. suppliers willing to modify ingredients, additives and in some cases, packaging and packaging sizes, have an

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Embassy of Japan

especially good opportunity to compete directly in the processed foods market.

Japan's highly sophisticated market offers many opportunities for exporters of institutional and specialty foods. Importers especially seek new foods and new uses for foods. Significant increases in expenditures for restaurant meals have benefited U.S. exporters of value-added products from beef to french fries.

Black Star

There are really two markets for institutional foods in Japan, one for top-quality foods for hotels, restaurants and caterers, and one for fast-food and family restaurants. Health food sales are growing rapidly and demand is significant for gift packs of high-quality processed foods such as jams and nuts. Expanding distribution of established foods outside Osaka and Tokyo will lead to additional export gains.

FAS Cooperators Keep High Profile In Japan's Fertile Market

Thirty-six FAS market development cooperators are planning activities to get more U.S. agricultural goods on the Japanese market in 1984. Government funding for their work is pegged at $4.6 million.

Programs of major significance are being undertaken by the following cooperators:

• The American Soybean Association (ASA) is conducting a product identification campaign to get Japanese consumers to shop for soy oil by name—soy oil is frequently sold under the generic name "cooking oil."

ASA is also providing technical consulting services, promoting the uses of soybean meal in swine and poultry feeds and conducting technical and marketing seminars.

• The California Raisin Advisory Board is promoting raisins in snack packs and baked goods in Japanese retail bakeries and supermarkets.

• Cotton Council International is advertising and promoting cotton sportswear and new cotton products as well as bringing a number of Japanese spinning industry representatives to the United States.

• EMBA Mink Breeders Association is conducting trade and consumer advertising campaigns and conducting a fashion show.

• The Florida Department of Citrus is promoting citrus with advertising campaigns and in-store exhibitions.

• The National Forest Products Association (NFPA) is printing and distributing a brochure, "Hardwoods of the U.S.A.," in Japanese. NFPA is also sending a maple flooring trade mission to Japan, presenting softwood product seminars and conducting trade and consumer promotion about "platform-frame" constructed houses.

• The National Renderers Association is sending a trade mission to Asia, conducting seminars on poultry feeds, bringing a Japanese industry team to the United States and distributing trade and technical publications.

• The Northwest Horticultural Association is conducting an aggressive consumer education program and holding in-store promotions.

• U.S.A. Poultry and Egg Export Council is conducting trade and consumer samplings, cooking courses, in-store promotions and bringing two groups of officials from the trade and the government to the United States.

• U.S. Feed Grains Council is providing technical assistance to the beef, swine and poultry industries through demonstrations showing improved methods of production, and bringing a beef, swine and poultry study team to the United States.

• The U.S. Meat Export Federation is conducting in-store and menu promotions, food exhibitions in several international expositions and public relations campaigns.

• U.S. Wheat Associates (USW) is providing technical assistance and training for members of the baking and noodle industries. USW is also bringing a wheat mission and flour miller team to the United States and conducting seminars on using noodles and flour. ■

The author is an agricultural Attache at the U.S. Embassy in Tokyo.

Japan Expands Market for U.S. Agricultural Products

By Richard Blabey and Deborah Rosendahl

Trade expansion measures announced by the Japanese government in April will mean hundreds of millions of dollars of additional export sales to U.S. agricultural exporters over the next four years.

The measures announced by Prime Minister Nakasone include the Brock-Yamamura beef and citrus agreement, tariff reductions on numerous food products to take effect next April, import liberalization of some specialty items, expansion of a number of non-beef and citrus import quotas and importation of cigarettes by the private trade.

The agreement on beef and citrus reached between United States Trade Representative William Brock and Japanese Minister of Agriculture, Forestry and Fisheries, Shinjiro Yamamura successfully addressed the leading agricultural trade issue between the United States and Japan.

To clinch the agreement, Yamamura pledged that Japan would continue to increase at an accelerated pace high-quality beef and fresh orange imports from Japan- fiscal-year (JFY) 1983 through JFY 1987. (Japan's fiscal years begin April 1.)

The projected value of additional beef and citrus sales to U.S. exporters over the four-year period of the Brock-Yamamura agreement is approximately $400 million. In addition to quota increases, the agreement includes reforms in the administration of beef

and orange import quotas, and changes in the blending requirements for imported orange juice.

Highlights include Japan's agreement to:

• Increase high-quality beef imports 27,600 metric tons above the JFY 1983 base level of 30,800 tons agreed upon during the Multilateral Trade Negotiations (MTN). This increase will be phased in incrementally in even amounts each year.

• Increase fresh orange imports 11,000 tons a year from 1983's level of 82,000 to 126,000 tons in 1987.

• Allow grapefruit juice imports to increase in accordance with demand; then liberalize them completely in 1986.

• Increase orange juice concentrate imorts by 500 tons a year from 1983's level of 6,500 tons to 8,500 tons in 1987.

High-quality beef is imported within Japan's global beef quotas. USDA "Prime" and "Choice" grades satisfy the standard for high-quality beef which remains unchanged from the earlier agreement. While the United States generally supplies practically all of Japan's high-quality beef imports, other countries are eligible to supply high-quality beef to Japan.

Sales of High-Value Meat Cuts To Increase

The Brock-Yamamura agreement provides for increased sales of high-value cuts to satisfy the special needs of the hotel/restaurant trade. U.S. exporters will be able to market a certain quantity of beef directly to end-users under a new transactions system to be implemented by the Japanese Livestock Industry Promotion Corporation (LIPC), which controls nearly all beef imports. Certification of meat by U.S. packers or USDA and abolition of LIPC's system of brand preferencing are also part of the agreement.

The reform of citrus import administration includes announcing the fresh orange quotas in a more timely manner. The "annual" quota (good for 12 months) will be announced in half-year portions in March and September. The "off-season" quota (good for June through August) will be announced in March. Quotas will be allocated to importers in the month following announcement.

The annual increase in the fresh orange quota will be distributed such that a greater portion will be added to the "annual" quota than to the "off-season" quota.

The orange juice quotas will be announced and allocated in October. The requirement that all imported orange juice be blended with domestically produced mikan juice is revised to permit sale of some juice products having up to 90 percent imported juice compared to a previous upper limit of 50 percent.

Agreement Caps 20 Years of Slow, Steady Progress

The Brock-Yamamura agreement is the most recent chapter in a long history of U.S. government efforts to broaden access to the Japanese market for agricultural products.

Until Japan joined the General Agreement on Tariffs and Trade (GATT) in 1955, the majority of its imports were quantitatively restricted for balance of payments reasons. Since 1963, when Japan began to run a positive trade balance, the U.S. government has sought the removal of these restrictions. At present, products in 18 agricultural tariff categories remain under quota.

The most economically significant are those on beef, oranges and citrus juice. In 1983, out of some $6.2 billion in U.S. agricultural exports to Japan, beef and citrus products subject to Japanese import quotas totalled $394 million.

Up until the mid-1970s, Japan slowly expanded the quotas on beef and citrus products. The Strauss-Ushiba Agreement in 1978 signaled a major turning point, as Japan agreed to major expansions over a two-year period. This led the way for the U.S.-Japan Beef and Citrus Agreement reached during the Tokyo Round of the MTN.

This MTN agreement provided specifically for expansion of the quotas over a four-year period (1980 through 1983). Under the terms of the agreement Japan agreed to expand high-quality beef imports by 83 percent, fresh orange imports by 82 percent, orange juice imports by 117 percent, and grapefruit juice imports by 600 percent.

During the most recent series of talks, which began in October 1982 in Honolulu, these quotas were symbols of Japan's many industrial and agricultural import restrictions.

The U.S. public and Congress became concerned that products which the United States produced competitively, i.e., beef and citrus, were being denied free access to the Japanese market while at the same time highly competitive Japanese manufactured products were flooding the U.S. marketplace.

The United States began the Honolulu talks by asking for total liberalization to coincide with the expiration of the MTN Beef and Citrus Agreement on April 1, 1984. However, Japan refused to make any commitment to immediate or eventual removal of the quotas.

Beginning in the spring of 1983, Japan's well-organized farm community mounted considerable political pressure against further import liberalization of beef and citrus. In the face of such stiff opposition, the U.S. government recognized that removing the beef and citrus quotas would have to take place over time and be a step-by-step process.

As the end of the MTN agreement approached, the pace of the beef and citrus talks picked up. Japan indicated in mid-March that it would be desirable to come up with a package settlement—one that covered tariff reductions and quota expansions on the other agricultural products, as well as beef and citrus.

The issues of high tariffs and quotas on other agricultural products had been kept separate from the beef and citrus issue. Bilateral consultations about Japan's other agricultural import quotas began in April 1982. During the course of these talks, Japan made several small expansion offers —but most fell far short of U.S. requests.

Because of the lack of progress bilaterally, the U.S. government initiated in July 1983 multilateral consultations under the auspices of the GATT on 13 tariff categories under import quota. GATT consultations were held again in September but were subsequently put on hold to await the outcome of the beef and citrus discussions.

Ambassador Brock and Minister Yamamura met the first week of April 1984 and reached an agreement on beef and citrus on April 7. Agreement on a broad range of quota issues and tariff reductions followed on April 24, and the entire agricultural package was announced April 27 as part of Prime Minister Nakasone's new external economic measures.

Concerning tariffs, Japan pledged reductions on 32 agricultural products effective in 1985. Twelve reductions were two-year accelerations of final Tokyo Round MTN tariff rates. U.S. exports to Japan of items slated for tariff reduction totaled $460 million in 1982.

The U.S. government, while welcoming the Japanese initiative, expressed disappointment that the package did not contain tariff reductions for wood panel products, fresh grapefruit and walnuts—items of great interest to U.S. exporters.

Variety of Quotas Slated for Relaxation

The package also included the relaxation or liberalization of import quotas on a number of agricultural items. Beginning in JFY 1984 trade in hi-test molasses and other sugars, selected non-citrus fruit purees, pastes, pulps and juices, and various other food preparations containing added sugar was liberalized. Prepared and preserved pork will be liberalized in JFY 1985, grapefruit juice in JFY 1986.

Of the remaining items which were the subject of the GATT consultations, several are to have moderately expanded quotas. Others will have minimum import quotas established. With the announcement of this package, the U.S. Government agreed to suspend the GATT consultations for two years.

The April trade expansion package also revealed Japanese plans to reform the import and distribution system for manufactured tobacco products now under the monopoly control of the Japan Tobacco and Salt Public Corporation.

A bill submitted to the Japanese Diet (Parliament) will permit the private import and wholesale distribution of manufactured tobacco and allow importers to choose wholesalers freely. Currently, U.S. cigarette brands command about 2 percent of the large Japanese tobacco market. ■

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Cutting Japanese Tariffs Is Major Task of U.S. Wood Products Industry

By Lawrence Blum

Although U.S. exports of wood products to Japan, our No. 1 customer, have fallen in recent years, they could grow to even greater heights than before if Japanese tariff restrictions were eliminated.

U.S. wood product exports to Japan slid to $1.1 billion in 1983, down from nearly $2 billion just four years earlier. The decline resulted mainly from the downturn in the Japanese economy and the strength of the dollar vis-a-vis the yen. If Japan would eliminate its protective tariffs, officials in the U.S. wood product industry see sales approaching $3 billion annually by 1990.

Japan is the world's largest importer of solid wood products, buying more than $5.2 billion worth in 1982. Nearly 70 percent of these imports were logs, almost evenly divided between softwood and hardwood.

Traditional Suppliers Restricting Exports to Japan

Most of the imported hardwood logs are tropical, coming primarily from Southeast Asia. However, export bans among these traditional suppliers, such as Indonesia, Malaysia and the Philippines, are causing supply problems for Japan.

Since 1982, the Indonesian government has reduced log exports to Japan, and plans to end log exports in 1985. The Philippines and Malaysia—two traditional log supplying countries—have also taken steps to restrict log exports.

Over the long term, these export restrictions on logs will force Japan to look to other suppliers, possibly to the United States, for larger shipments of softwood logs. Sales of softwood logs ($689 million) already account for about two-thirds of the value of all U.S. wood product exports to Japan.

Japanese Duties Remain High on Value-Added Wood Products

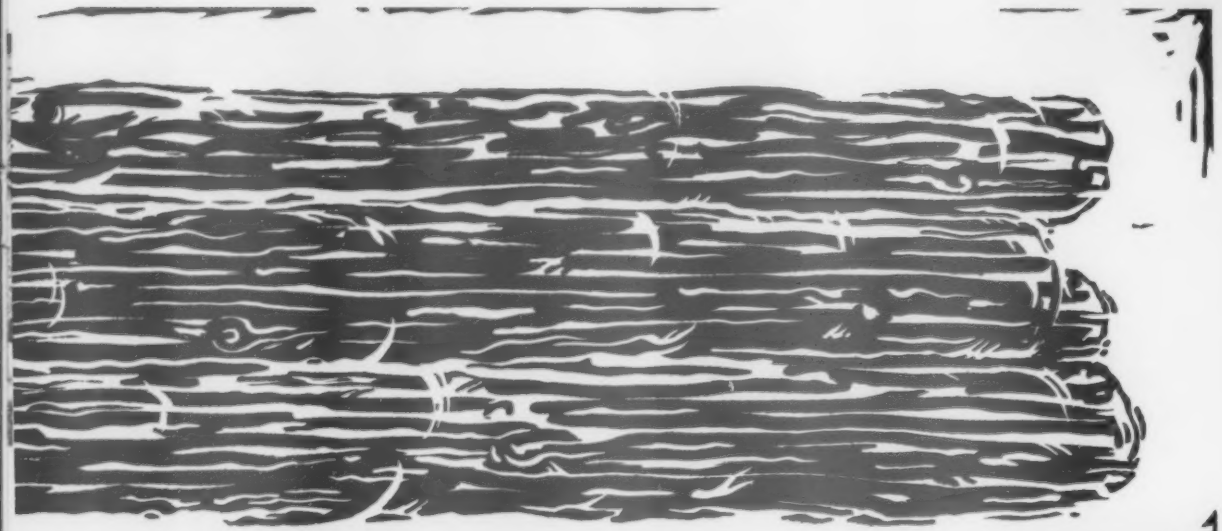
The makeup of this trade pattern stems in part from Japan's high tariffs, which range from 12 to 15 percent on panel products like plywood, particleboard and veneers.

Japanese duties on finished and semifinished products are not only high compared with U.S. duties on the same products, but they are also well above Japan's average tariff rate on all products of less than 4 percent.

This is a classic example of some of Japan's trade practices that have been sharply criticized by its trading partners—the import of raw materials duty free while protecting domestic manufacturers behind a tariff wall.

Although Japan agreed to reduce its tariffs on forest products in the last round of the Multilateral Treaty Negotiations (MTN) in 1979 and accelerated the MTN duty reduction on particleboard, removal of tariffs for all forest products remains a top priority item in the United States. In fact, President Reagan addressed this issue during an April visit to the Pacific Northwest.

Japan's trade liberalization package of the past spring that raised beef and citrus quotas over the next few years did not include any tariff reductions for solid wood products.



U.S. Industry Maps Export Strategies

The U.S. industry sent out four tariff-reduction missions to Japan last year in the hopes of building a greater understanding among Japanese decisionmakers of the importance and advantages of eliminating tariffs on panel products.

In cooperation with the Foreign Agricultural Service (FAS), the U.S. solid wood products industry is stepping up its marketing development activities in Japan. Promotion programs are aimed at achieving long-term goals favorable to both sides.

After expanding its activities in 1983, the National Forest Products Association (NFPA) is continuing to focus on the high tariffs on panel products.

In January, a trade mission representing the U.S. hardwood products industry studied the Japanese market potential for hardwood logs, lumber and veneers. Special target: furniture manufacturers. For 1985, a series of seminars in Japan is on the drawing board.

Representing U.S. softwood, the Western Wood Products Association (WWPA) has had a full-time representative in Tokyo for several years. The WWPA is staging a series of seminars in key cities as well as promoting platform-frame homes through other exhibitions.

Pressures Could Intensify

Larger log exports without similar increases in U.S. exports of lumber, veneers and plywood will further intensify pressures to limit or even to ban log exports from the U.S. Pacific Northwest. In short, a stable and continuous supply of U.S. logs to Japan would be ensured by a substantial rise in imports of U.S. lumber, plywood and veneers.

Benefits for Japanese Industry And Consumers

The Japanese plywood and sawmilling industries would benefit from an increased trade in processed wood products. Testing in Japan has shown that softwood veneers can be economically used as inner plies of hardwood-faced plywood. So, U.S. Softwood veneers offer the Japanese plywood industry an attractive alternative to a diminishing supply of logs from Southeast Asia.

At present, U.S. softwood plywood is used primarily in contruction applications, while the hardwood panel produced by the Japanese industry is generally used for decorative purposes. Increased imports of U.S. softwood plywood would provide an economical source for concrete-forming material, roofing, flooring and sheathing.

Elimination of tariffs on processed wood products would lower the cost of housing and other construction, providing significant benefits to the Japanese construction industry and the nation as whole.

Major reductions and eventual removal of Japan's import duties should translate into a more equitable mix in U.S. exports between logs and processed wood products, providing trade advantages to both trading partners. ■

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Trade Updates

Argentina To Boost Grain Sales to Neighbors

Argentina is expected to make a major effort to expand its grain trade with Latin America, an area which the Argentines had pretty much ignored in recent years while working to build sales to the Soviet Union. Not only is there a political desire to forge closer ties with Latin neighbors, Argentina also needs to develop additional markets for the hoped-for increase in grain production. Besides being able to offer very competitive prices, the Argentines may also lure customers through more government-to-government agreements; direct Grain Board deals which presumably can be made below Grain Board costs, and the extension of credit to some countries largely due to political considerations, as in the case of Cuba and Haiti.

The share of Argentine wheat, corn and sorghum moving to the Soviet Union has already fallen from a high of 83 percent in 1981 to 41 percent in 1983—and is expected to remain at about this two-fifths level in 1984.—*Lawrence E. Hall, Agricultural Attache, Buenos Aires.*

Big Spanish Grain Crop Could Trim U.S. Sales

Spanish coarse grain imports could fall considerably in 1984/85 if crop conditions continue as good as they have been. Current indications point to a record Spanish coarse grain crop this year—in fact, some reports place 1984 grain production up over 40 percent from last year's drought-reduced level.

Spain has been a very important U.S. market for corn and sorghum, taking about 3 million tons in 1982/83 and over 6 million tons in 1981/82. In all, Spain's coarse grain imports have been running between 5 and 8 million tons annually in recent years.—*Roger Wentzel, FAS. Tel. (202) 447-2009.*

Cut in Egyptian Cotton Output May Help U.S. Oils

A downturn in Egypt's cotton production and, consequently, cottonseed, at a time of unprecedented demand for oilseed products, is presenting important new opportunities for U.S. oilseed growers and processors. Other oilseed crops—namely soybeans, which are newly commercialized, and sunflowers, which are showing promise at the research level—are not yet ready to make up the shortfall.

Meanwhile, strong population growth and subsidized consumer prices are contributing to increasing demand for vegetable oils. The government has had to import about 300,000 tons a year to supplement domestic output. To meet this larger demand, soybean crushing capacity in Egypt's public sector is growing rapidly and may exceed available domestic supplies by the end of this year. Consequently, Egypt may for the first time import whole soybeans for local crushing. Imports of vegetable oils will also increase.

On the meal side, Egypt's poultry production policy will have a major effect on the future level of soybean meal sales. Currently, poultry production in Egypt is very profitable, and demand for soybean meal is running at record levels.—*Clancy V. Jean, Agricultural Counselor, Cairo.*

Mexico To Buy More From Latin America

After years of reliance on the United States for virtually all its grain imports, Mexico has agreed to purchase at least a million tons of Argentine grain and oilseeds each year for five years beginning in 1984. Mexico has already bought 360,000 tons of sorghum, 100,000 tons of wheat and 180,000 tons of sunflowerseed from Argentina in 1984, leaving about 360,000 tons still to be purchased.

Over the past decade, Mexican import demand for grain has shot up from less than a million tons annually to over 6 million in four of the past five years. The United States has supplied over 95 percent. This year, however, the United States may provide less than 80 percent of Mexico's total grain imports, as our relatively high feed grain prices, abundant grain supplies in Argentina and a move to strengthen Latin American unity is encouraging Mexico to diversify its sources of supply.—*Alan Riffkin, FAS. Tel (202) 447-2009.*

Japanese Agricultural Policy Is Key to Future Imports

Black Star

By Richard J. Blabey

Last year, Japan bought close to a fifth of all U.S. farm exports with its purchases valued at over $6 billion. That made Japan the biggest single market for U.S. agriculture for more than 20 years in a row.

Can this market grow even more in the future? The answer is a qualified "yes."

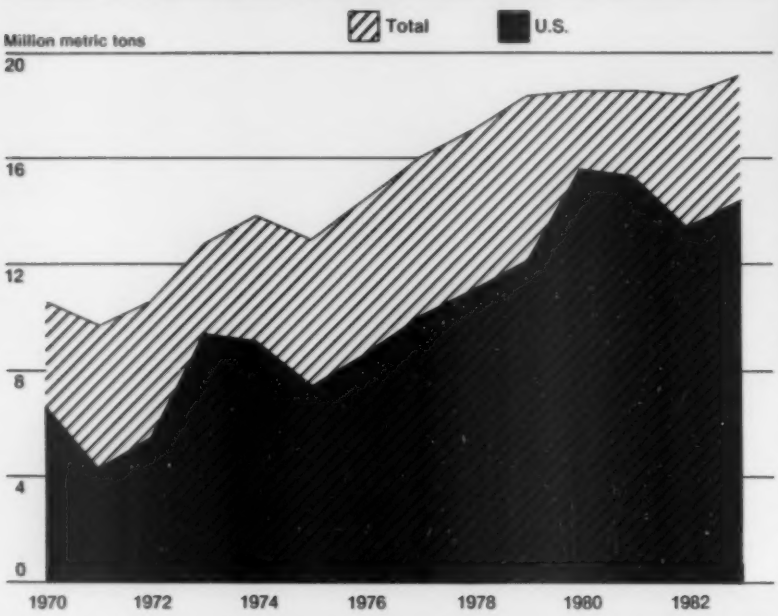
The effects of the new Japanese-U.S. understanding on beef and citrus and the U.S. policy thrust to get Japan to ease restrictions on forest products imports should help to increase sales to Japan.

Japanese imports of U.S. wheat and feed ingredients also should continue to climb during the 1980s. However, Japanese agricultural policy remains fundamentally resistant to rapid growth of farm imports.

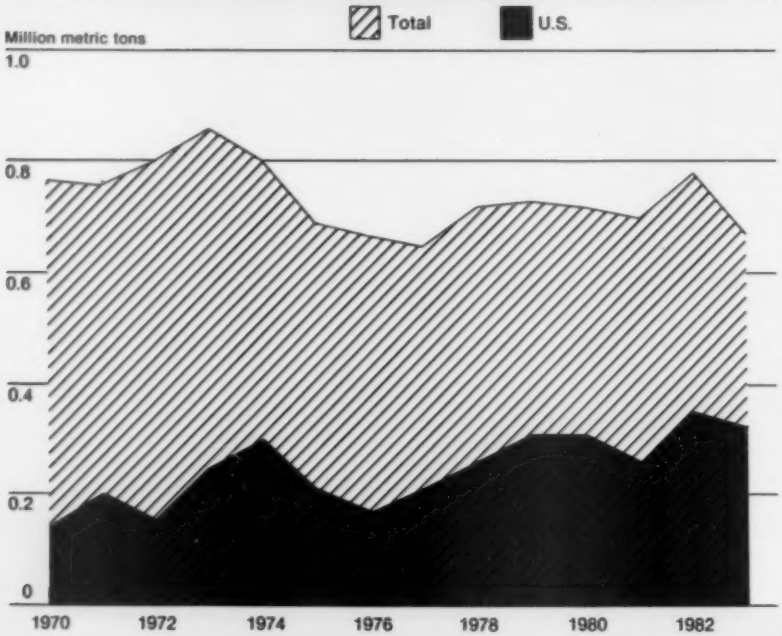
That policy focuses on three major goals: maintaining farm income, assuring reliable overseas supplies of agricultural commodities, and increasing domestic food self-sufficiency.

The Japanese government has kept farm household income on a par with urban income through programs designed to boost agricultural prices.

U.S. Share of Japan's Feedgrain Market Keeps Pace with Demand



U.S. Market Share Rises Despite Slowing Japanese Cotton Demand



Because of extensive use of acreage controls, support prices, deficiency payments, state trading, mixing regulations, price stabilization schemes and import controls, most producer prices bear little relation to world commodity prices.

For example, as recently as 1980, the Japanese producer price for rice was over three times the world price, and prices for wheat and soybeans were close to four times the world price.

Even at these levels, farm households in Japan have become more and more dependent on nonfarm income. Approximately 85 percent of farmers' income is earned off the farm.

In some cases, the government's intervention in the market either to restrict supply or create artificial demand has resulted in complaints by Japan's trading partners. Therefore, Japanese officials are studying possible reforms that would support farm income but remain consistent with Japan's international trading obligations.

The government is sensitive to demands for higher farm prices because seats in the Japanese Diet have not been reapportioned to reflect the significant migration of population from rural to urban areas in the past 30 years.

Consequently, a rural voter may have six times more voting power than those in urban areas. Around two-thirds of the

ruling Liberal Democratic Party Diet members are from districts that have agricultural constituencies.

Reliable Food Supplies Essential

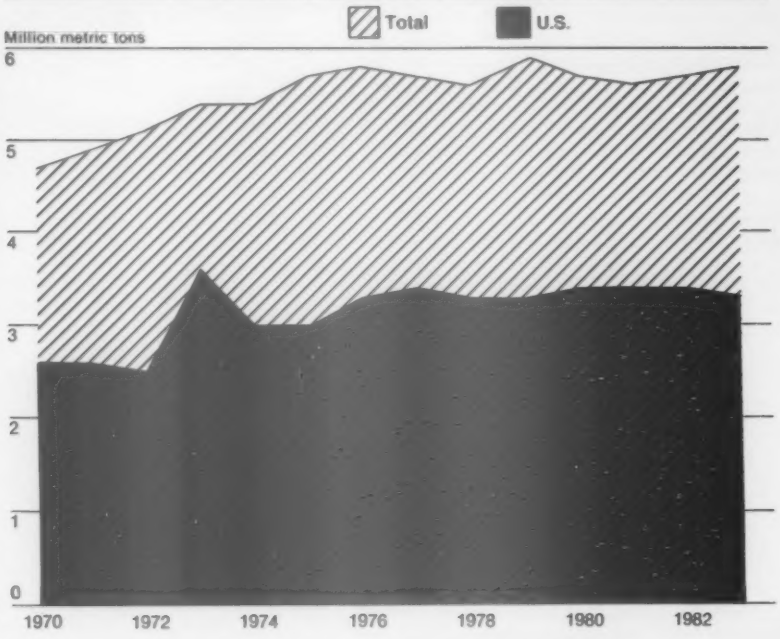
Dependence on imports for commodities such as wheat, corn and soybeans is also a matter of strategic concern for Japan's policymakers. Over 50 percent of the calories consumed in the Japanese diet are imported as either consumer-ready products, unprocessed foods or feed ingredients.

To reduce the potential for crippling effects from a foreign supply interruption, the government has encouraged importers to diversify supply sources.

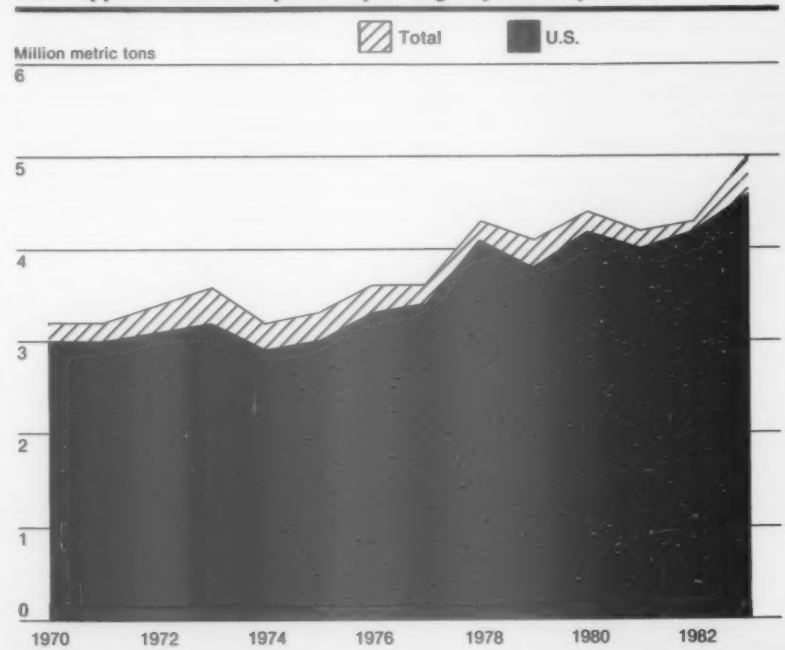
This does not necessarily mean replacing the United States as the major provider of agricultural commodities. It does mean, however, encouraging imports from the U.S. West Coast, as well as from Gulf of Mexico ports, importing a wide variety of feed ingredients from around the world and supporting private Japanese investment in export-oriented crop production in developing countries.

The Japanese Ministry of Agriculture has attempted to develop closer trading relationships with key exporting countries. It tries to cement its trading ties through periodic official consultations and supply assurance agreements such as those which now exist with Canada and Australia. In addition, Japan's national agricultural

U.S. Wheat Fills Over Half of Japan's Import Needs



U.S. Supplies Most of Japan's Expanding Soybean Imports



cooperative federation, Zen Noh, conducts annual trade talks with Thai maize exporters.

The growing involvement of Japan's leading trading companies in international grain dealing adds a further dimension to Japan's ability to secure supplies of essential food commodities.

Food Self-Sufficiency—Another Policy Objective

Japan has the lowest food self-sufficiency among economically developed countries.

This reflects limited arable land and a population of 118 million with the purchasing power to demand a varied diet. The average Japanese household spent 21 percent of its disposable income on food in 1982.

To maximize agricultural production, the government administers programs to intensify land use and to improve crop yields. It assesses lower taxes on crop land, promotes intensive rice, livestock, fruit and vegetable production and provides subsidized credit to farmers to finance farm buildings and equipment.

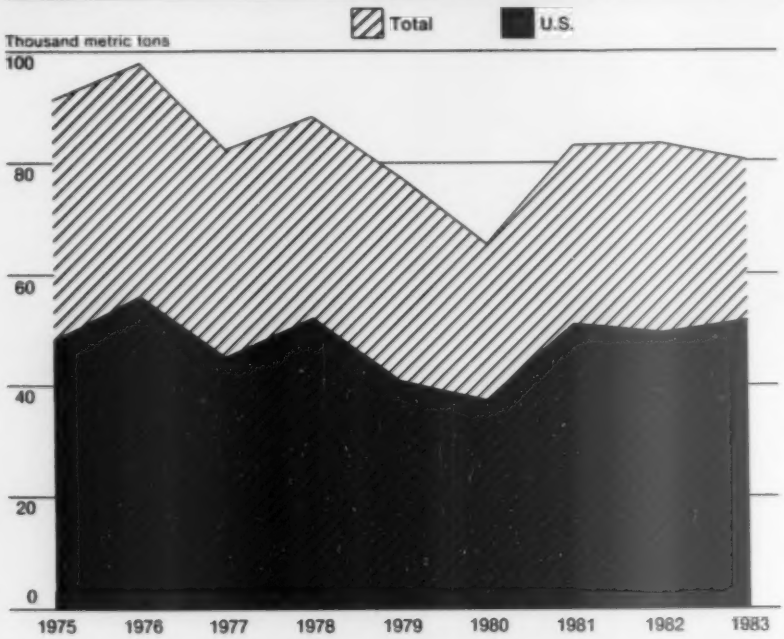
To safeguard crop yields and animal health, Japanese quarantine officials zealously enforce quarantine regulations at all ports of entry.

In 1980, the government laid out plans for agricultural production until 1990. These plans proposed a reorganization of agricultural production to stop the gradual erosion of the nation's overall food self-sufficiency ratio.

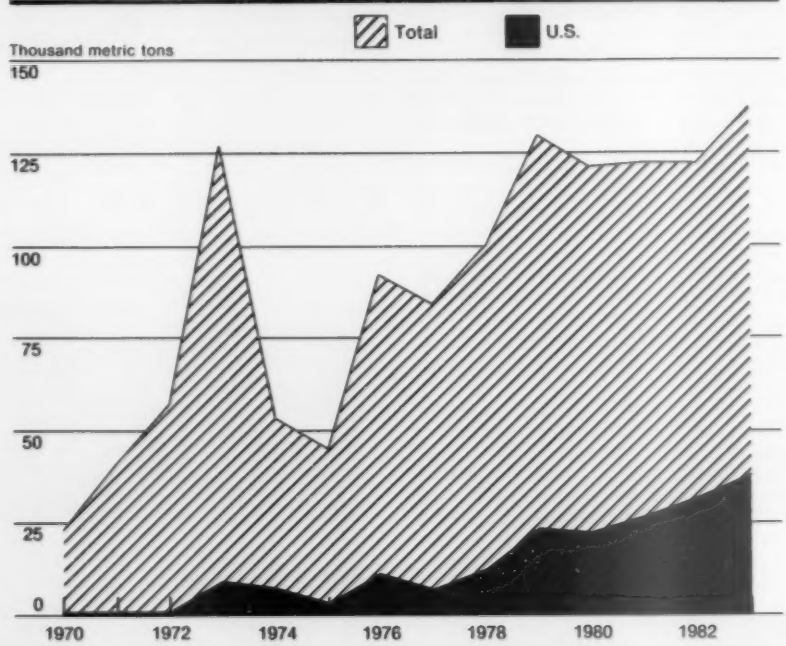
This political commitment to promote food security enjoys wide support among both urban and rural people. The projected self-sufficiency targets for 1990 provide farmers with another yardstick with which to measure the government's success in fulfilling its commitment to support and protect agriculture.

The proposed restructuring of Japanese agriculture would shift productive resources from commodities in oversupply, such as rice, to foods in

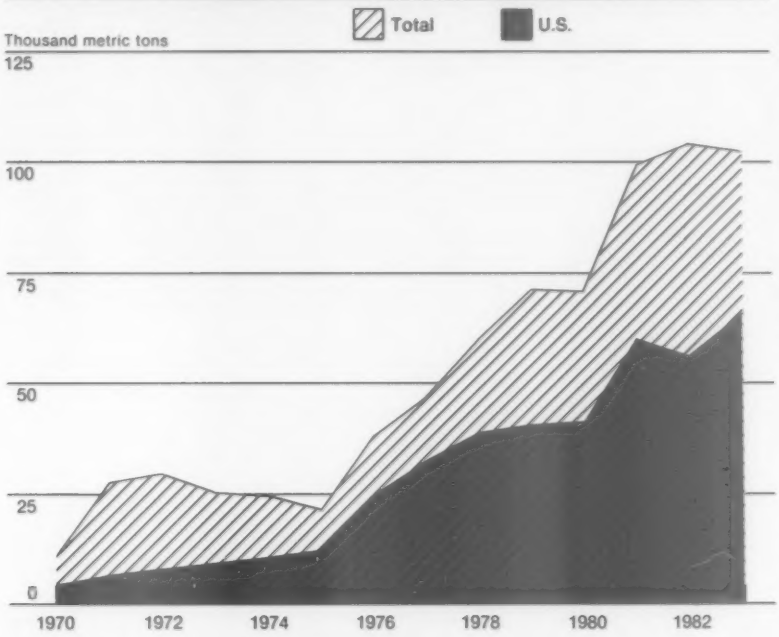
U.S. Share of Japan's Tobacco Market Remains Stable



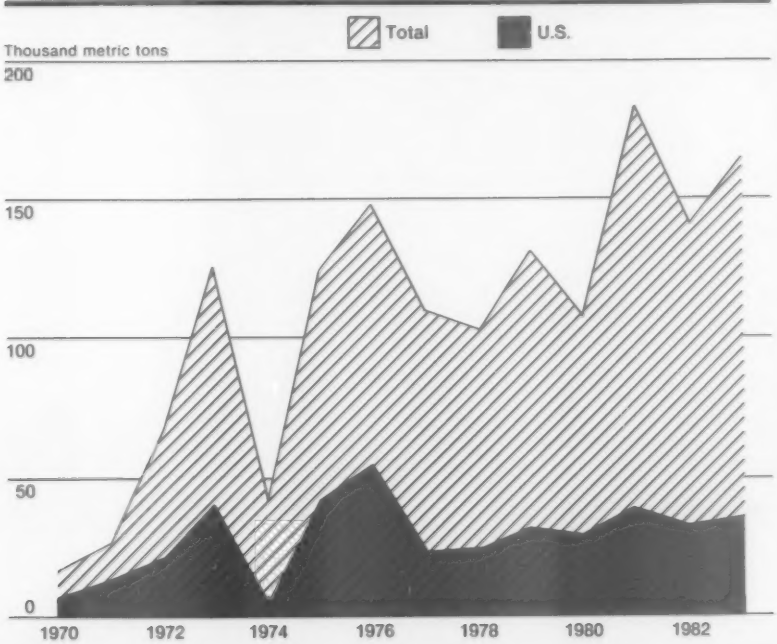
U.S. Beef Sales to Japan Show Steady Increase in Recent Years



U.S. Provided Well Over Half of Japan's Poultry Imports Last Year



U.S. Pork Sales to Japan Holding Steady



short supply, such as beef. It also distinguishes between farm products which would be supplied chiefly by Japanese farmers and those which would be supplied primarily by imports.

The government divided agricultural products into three categories. The first group consists of products in which Japan will try to be fully self-sufficient by 1990, such as rice and vegetables.

The second group includes products in which Japan will attempt to be self-sufficient to a major degree, such as fruits, dairy products and meat; and the third, products that Japan mainly will import, including wheat and feed crops.

Obviously, the greater the level of self-sufficiency which the Japanese target for 1990, the greater the likelihood that import barriers will remain in place for similar products during the 1980s. These may include overt trade barriers such as quotas and high tariffs or indirect measures to inhibit trade, such as narrowly drawn product standards and inspection requirements.

U.S. Farm Exports Should Fare Well

In general, about 75 percent of all U.S. farm exports are items which Japan plans to import in large volumes during this decade. These are feed ingredients, wheat and other raw agricultural commodities.

Another 20 percent of U.S. farm exports are fruits, meats and dairy products in which Japan plans to be over 80 percent self-sufficient.

And the remaining 5 percent fall into categories in which Japan plans to be almost totally self-sufficient by 1990.

U.S. wheat and feed ingredients should continue to find a growing market in Japan during the 1980s. However, exports of fruits, vegetables, dairy products and meat may be hampered by Japan's food self-sufficiency policies. ■

The author is with the International Trade Policy Division, FAS. Tel. (202) 382-9064.

Country Briefs

China

Growth in Grain Imports Likely To Slow

China once again appears to be turning inward to meet its grain needs. Up to now, internal distribution problems have caused China to rely heavily on imports for stockpiling and for supplying the large coastal cities of Shanghai, Beijing, Tianjin and Shenyang. However, bumper harvests in 1982 and 1983 have intensified pressure on central authorities to assist grain surplus areas in moving their excess production—and the past year has seen a significant increase in the quantity of wheat, corn and rice being redistributed.

For example, the province of Jiliu was permitted to ship 2.2 million tons of grain, mostly corn, to points further south in China. This quantity was about equal to China's total corn imports for the 1982/83 marketing year. Where surplus grain could not be transported to another area due to limitations on transport facilities or a lack of demand or storage space in other provinces, an on-farm storage program was instituted where peasants were paid to store state grain for six months.

A major constraint to moving surplus grain is still insufficient rail capacity, and priority is often given to other commmodities, particularly coal. If China decides to take the steps necessary to develop a more efficient internal distribution system and also continues to enjoy large crops, its import demand could fall in the long run, unless consumption growth should accelerate.—*Norman Kallemeyn, Agricultural Counselor, Beijing.*

Western-Style Eating Habits Continue To Gain Ground

Hot dogs, hamburgers and other western-style sandwiches are among the items featured on the menu of Beijing's first western-style fast food outlet which opened for business this spring. The U.S.-China Model Bakery is supplying the rolls and buns for the new enterprise.

The fast food outlet is only one example of the change that is taking place in the food consumption patterns of China's urban residents. With both husband and wife working in most Chinese families, Beijing and other major cities are striving hard to expand their food processing capacity and supply of prepared and easy-to-cook foods.

In a related development in Nanjing, local officials report that bread "is creeping onto the tables of Nanjing's 3.5 million citizens" and that a newly opened bakery is doing a "booming" business. While bread is still somewhat of a novelty snack in China, it may become a stronger competitor with rice in the future as the family cook increasingly looks for convenience food products.—*Norman Kallemeyn, Agricultural Counselor, Beijing.*

European Community

Reform Plans Threaten U.S. Oilseed Exports

The European Community (EC) is providing price supports for several oilseed crops to encourage farmers to switch from cereal production where the Community has surpluses. These crops would help fill the EC's last great agricultural product deficit—vegetable protein. As such, these reform measures pose a potentially serious threat to U.S. exports of soybeans and products to the EC.

One crop to watch is rapeseed, already an important European crop and a contributor to surplus oil stocks. Expanded use of "double zero" rapeseed varieties makes rapeseed meal more readily usable by animal feed compounders.

Field peas and lupins are other crops which may find favor with cereal producers. As nitrogen fixing legumes, they are welcome additions to crop rotations. They also have the additional advantage of not contributing to the surplus of vegetable oils.—*Philip Mackie, FAS. Tel. (202) 447-7037.*

AIMS Gives U.S. Food Exporters A "Competitive Edge"

By Richard Cannon

Last year, U.S. exporters sold $400 million worth of agricultural products through a unique marketing system managed by the Foreign Agriculture Service (FAS) that handled more than 4,000 trade leads.

This year, the system offers a faster response time, expanded service and a new name. Formerly called the Trade Opportunity Referral Service (TORS), the new system has been renamed Agricultural Information and Marketing Services (AIMS) to better represent new export information and marketing services that are available.

AIMS is helping U.S. exporters keep in touch with foreign opportunities through marketing research reports, trade leads, product publicity and listings of foreign contacts. AIMS operates by means of a computer network.

Comprehensive Information Available

FAS's newest marketing research tool, available through AIMS, is the International Marketing Profile (IMP). These reports combine detailed U.S. and international trade statistics into one product.

IMPs are available in two series. One examines trade activity in the 100 countries covered by FAS field offices. The other series includes analyses of markets for 20 agricultural product groups.

In addition to trade statistics each IMP includes:

—a summary of trade trends presented in comprehensive, easy-to-read statistical tables.

—a schedule of FAS field reports relevant to each IMP's industry/country coverage.

—a listing of FAS services for exporters.

—an FAS "Fact Sheet" listing contacts and their duties within the agency.

Trade Leads Offered

Foreign buyers seeking U.S. agricultural products maintain constant contact with FAS representatives overseas.

Buyers' product requests are forwarded to FAS in Washington, D.C., and are made available immediately to AIMS subscribers through a high-speed computer network.

Product inquiries are also mailed to subscribers daily via a computerized direct mail system.

Another trade lead service is "Export Briefs," a weekly bulletin that includes all product inquiries compiled in one week. This bulletin also provides news of upcoming trade shows and overseas events.

Products Advertised

A monthly newsletter, "Contacts," tells 35,000 foreign recipients about new U.S. food and agricultural products and related services. Product announcements are published free on a first-come, first-served basis, with preference given to new-to-market products and firms selling overseas for the first time.

In "Contacts," U.S. exporters submit a 100-word description of their product along with pertinent information about their company. FAS sends the newsletter to its agricultural officers abroad who distribute the information to agricultural importers in their assigned countries. The "ads" are translated into Japanese, Spanish, French, Italian and Greek.

AIMS can provide U.S. exporters with names, addresses and telex numbers of foreign firms who want to import U.S. farm products. FAS maintains this information in two computerized data files.

The most commonly requested reports from these files are those for all foreign importers interested in a particular commodity. Lists are also available for all importers in a selected country.

The two data files contain similar information on potential foreign importers, but have important differences in how the files are maintained.

The first is an "active inquiry" data file that contains listings of foreign firms that have submitted trade inquiries through FAS since 1978. U.S. exporters who request information from this file may specify a date range.

The second data file provides a listing of potential importers of agricultural products in more than 75 countries. The file is developed by FAS staff stationed in foreign posts.

U.S. exporters who wish to receive a particular report should submit a written request.

For more information, contact: FAS/AIMS, Room 4645 South Building, U.S. Department of Agriculture, Washington, D.C. 20250. Telephone: (202) 447-7103. ■

The author is Assistant Administrator, for International Agricultural Statistics, FAS. Tel: (202) 447-7233.

Export Trading Companies: Tips From Some Experts

What kind of businesses are getting involved in export trading companies? What's the most popular form of organization? Can your firm benefit from joining an export trading company.

Two individuals whose job it is to help or advise U.S. businesses on how to form and use export trading companies recently responded to these questions. If you're considering participating in an export trading company venture, here are some tips from the experts.

***Charles Warner** is director of the Office of Export Trading Companies, U.S. Department of Commerce.*

Q: Since the passage of the Export Trading Act at the end of 1982, how many companies have come to your office for certification of their export trading companies?

A: Fifty-one.

Q: What size companies were these, and what kinds of businesses did they represent?

A: In the beginning, we had mostly small companies. But in the past several months, we've been seeing and counseling a number of companies in the middle market, with sales under $100 million. And at present, we're involved in discussions with a Fortune-500 company whose sales top $1 billion.

As for types of companies, we've had pretty much a potpourri—catfish farmers and processors, sports equipment, heavy construction and mining equipment, farm equipment and consultants for services like engineering and trade expositions.

Q: Among these companies, what common problems have you found?

A: Sometimes a company doesn't have enough working capital to pursue its idea. In that case, we often refer it to the Export-Import Bank for help.

Organizational structure is a problem. We look at the business plan and offer some broad observations, although we try to shift the job of rethinking the fundamentals back to the professional business planners. We feel that counsel is the best investment companies can make.

Q: What policies can the U.S. government follow to help export trading companies?

A: The thing that would help all exporters the most is to remove as many trade barriers as possible. An active trade flow pattern will benefit everyone, not only export trading companies but the economy in general.

Richard Cooper, a Washington-based partner with Coopers and Lybrand, specializes in export consulting.

Q: In what ways do the firms you advise participate in an export trading company?

A: Some have set up wholly owned trading companies as subsidiaries. Some have formed joint ventures with other companies. Most of the private sector companies are on a for-profit basis, while some of the public sector ones are on a not-for-profit basis.

Q: How does a company decide which is the best kind of export trading company for it to choose?

A: I think the key is learning how to adapt an organization's needs and objectives to international trade. The organization has to look at its reasons for forming an export trading company, to find the best way to go.

Q: Which type of export trading company do you think has the best chance to succeed?

A: I don't think there's an organizational form most likely to succeed. Rather, the best form will be determined by the products an export trading company is trying to export and the markets it is trying to serve.

For instance, in the case of certain commodity products, such as lumber, the organizational form most likely to succeed is probably one where the joint venture partners—in this case, competitors—get together and share equally in both the profits of the export trading company and in the sales that result from it.

Q: But how would a company decide which of those forms is the best one for it to take on?

A: That's the difficult part of the concept. You should begin by looking at the strengths and objectives of the organization sponsoring the export trading company. The next step is to examine three or four prime alternatives, analyze their costs and benefits and then settle on the best.

The process is not unlike starting any other business. To be successful, any new business must be tailored to the objectives, strengths and weaknesses, and resource constraints of the prospective investor. There's no magic formula, no all-purpose recipe.

Q: Do all export trading companies need to be certified by the Department of Commerce or approved by the Federal Reserve Board?

A: Definitely not. At least half the people my firm has counseled never needed the Export Trading Company Act in the first place. Sears World Trade didn't need it. General Electric didn't need it, and neither has gone through the certification process. The same can be said of a number of small or medium-sized businesses.

What's important about the act is the boost it gives to U.S. exporting. It has eased trade financing by letting banks participate in trading companies. And, from an antitrust view, it has made joint venturing less difficult than it used to be.

In the past, U.S. trading companies didn't develop to the extent of our foreign competition. The act has been a catalyst that has spurred the development of trading companies in this country—regardless of whether the act itself is used.

Q: Can an export trading company help overcome the barriers to exporting today—the strong U.S. dollar and the world debt situation?

A: Very definitely. I don't wish to discount the effect of the strong dollar, but the basic problem that most U.S. businesses face abroad is the lack of marketing expertise. You need a strong marketing "presence," and you have to know how to penetrate particular markets. If you don't have the resources to develop that marketing capability, an export trading company can do it for you. You may still lose some sales because of today's strong dollar, but a stronger marketing presence can mean substantially increased sales abroad.

Q: What's the prognosis for export trading companies in the United States for the short term?

A: In the short term, I think we'll continue to see a number of businesses forming export trading companies. Most of these will probably be fairly limited in scope as the business tries to "feel" its way through to effective operations. Thus, we'll see trading companies that are more narrowly focused.

Today, Chase Manhattan's new export trading company, for example, is mainly structured around its present trade finance operations. As the bank learns which aspects of the trading company to build, I wouldn't be surprised to see it develop a larger, fuller trading service company. And I think this will happen across the industry.

Q: And for the long term?

A: I think that trading companies are here to stay, and I think they're going to help increase U.S. sales abroad.

Today's trading companies account for between 1 percent and 2 percent of all U.S. sales abroad. It's not unrealistic to think that by the turn of the century the number will be between 10 and 20 percent. ■

This article has been drawn from the article, "Export Trading—No Longer Status Quo," published in Coopers and Lybrand's ***Executive Alert,*** *May 1984.*

Successful Marketing—The Continuing Story

More than ever before, successful agricultural exporting is a challenge. In the past few years, particularly, exporting has run up against many stumbling blocks. These include a strong dollar, sluggish world demand because of a worldwide economic recession and debt problems. In addition, good harvests in many exporting countries have increased both supplies and a strong level of competition.

***Despite these obstacles, many of the market development cooperators have achieved admirable success in the field of exporting. Here are some of their stories; others will be published in future issues of* Foreign Agriculture.**

EMBA Mink Breeders Association

Before EMBA began cooperating in overseas market development with the Foreign Agricultural Service (FAS) in 1969, the export market for American mink was quite different. Limited funds for promotion confined promotional programs and sales to the United States and a few countries in Europe.

Dependence on this narrow base made U.S. mink susceptible to fluctuations in these markets. Lack of market diversification left ranchers with few alternatives. Demand in the late 1960s fell to all-time lows in this country; prices were disastrous.

Cooperation with FAS helped offset many problems. EMBA has updated its marketing strategies, and aggressively promotes American mink in 10 countries.

Exports have risen from $22 million in 1968 to more than $110 million, and now account for over 80 percent of the U.S. mink ranchers' production.

The most spectacular example of EMBA's success has been in the Far East. Prior to the FAS program, Japan and Hong Kong were minor markets. Encouraged by FAS specialists, EMBA launched promotional programs. Sales to these two markets have mounted from $1.5 million 10 years ago, to $21 million—almost a fifth of all U.S. mink exports.

Marketing strategy encompasses Western Europe. One mainstay of this program is the EMBA Premiere Night presented annually at the Frankfurt Fur Fair in Germany—the world's finest fur fashion show. This event generates much publicity for American mink.

EMBA will take this show to Japan to help establish the United States as a fashion leader in that country.

Holstein-Friesian Association of America

The U.S. Holstein industry and FAS participated in the first international Holstein conference held in August 1983 in Budapest, Hungary. Some 600 agricultural experts from 14 countries attended the three-day event, marking 10 years of cooperation between the Hungarian and American dairy industries.

The cooperative venture between Hungary and the United States resulted in increased milk production per cow of 83 percent on average. This enabled Hungary to reduce its herd by 23 percent and to cut costs for labor and facilities.

Other results included greater imports of U.S. Holstein stock (18,000 heifers, 150 young Holstein sires and more than 1 million units of frozen semen and embreyos); higher consumption of milk and milk products—from 240 pounds per person to 400 pounds; and self-sufficiency in output of dairy products.

A number of countries set records for imports of U.S. Holsteins in recent years; and, based on preliminary data for 1983, the trend is expected to continue.

South Korea has become a major market, with purchases of 6,000 head in 1983—twice the 1982 shipments.

Saudi Arabia bought 5,000 registered Holsteins in 1981 and 1982 and will continue to be a good customer for two or three years hence.

Tunisia opened its doors to U.S. Holsteins in early 1983, starting with 1,000 heifers for a government dairy project. Previously, Europe was the exclusive supplier to this market.

In South America, record numbers of U.S. Holsteins went to Venezuela, Ecuador and Colombia. Imports doubled in some South American countries.

Mexico and Canada remain strong markets, although Mexican currency devaluations have led to reduced sales in that country. Exports to Canada are doing well, in part because many U.S. Holsteins go to Canada for quarantine before moving to other destinations—mainly the European Community.

American Soybean Association

The American Soybean Association (ASA) has worked for U.S. soybean farmers for more than 60 years. Their overseas market development started 28 years ago in Japan.

Today, ASA coordinates over 200 projects in 76 countries—programs handled by 11 overseas offices with staffs of livestock nutritionists, specialists in soy oil processing and refining, and experts in international marketing.

ASA's market development program was launched in 1956 to help Japan's hog industry. Since then, ASA has sponsored some 500 overseas missions, involving more than 200 animal nutritionists, soybean oil technicians, veterinarians and other experts.

Trips such as these help customers make profits, formulate balanced feed rations and bring processing methods up to date. Through technical assistance, ASA sends the message around the world that American soybean growers and processors service what they sell.

Export promotion has paid off in a number of countries. For example, Pakistan's import duty on soybean meal hampered meal shipments into that country despite the poultry industry's need for high protein rations. Following a program to educate the industry about the nutritional benefits of soybean meal, and talks between association representatives and officials in Pakistan and Washington, D.C., Pakistan lifted its import duty and opened up a potential $40-million market for soybean meal.

Soy milk, a high protein drink, has been a staple in Asian diets for centuries. To stimulate large-scale production in Japan, Taiwan and South Korea, ASA helped firms create new soy milk flavors. They also helped the firms promote soy milk through food shows, demonstrations and distribution of literature. ■

These marketing success stories are excerpted from the 1983 Achievement brochure published by the Agricultural Export Development Council. For further information, contact Helen Miller, Executive Coordinator, 600 Maryland Ave., S.W., Suite 510, Washington, D.C. 20024.

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